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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

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October 14, 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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BY HAND DELIVERY

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, NW, #222
Washington, DC 20554

DOCKET FILE COPY ORIGINAL

**RE: Notification of Permitted Ex Parte Presentation
MM Docket No. 92-266**

Dear Mr. Caton:

Pursuant to Section 1.1206(a)(2) of the Commission's rules, I hereby notify the Commission of a permitted *ex parte* presentation on behalf of United Video in the above referenced docket (see attached).

If you need any further information, please don't hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Kim Koontz Bayliss".

Kim Koontz Bayliss
Vice President Government Relations

KKB/mh

cc: Meredith Jones

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WGN · WPIX · KTLA · KTVT · WXYZ · WJBK · WDM · WTVS

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October 13, 1994

OCT 14 1994

EX PARTE

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

VIA HAND DELIVERY

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Ms. Meredith J. Jones
Chief, Cable Services Bureau
Federal Communications Commission
2033 M Street, NW, #918
Washington, DC 20554

RE: MM Docket No. 92-266

Dear Ms. Jones:

On behalf of United Video, the company which provides superstations WGN, WPIX and KTLA to over 35 million households, I am writing to express grave concerns over possible elimination of the regulatorily specified 7.5% mark up for increases in programming costs and copyright fees.

United Video appreciates the serious efforts the Commission has made to address the concerns of programmers. We are encouraged by reports that the Commission is working to issue going-forward regulations that will give cable operators appropriate incentives to add program services as quickly as possible. As we noted in our previously filed comments in this docket, the need for realistic launch incentives is critical to the continued growth of the programming industry.

Similarly, the importance of preserving the 7.5% mark up on increases in programming costs and copyright fees cannot be underestimated, particularly for providers of established program services like United Video. If such a proposal is eliminated, much of the time and effort the Commission has devoted to the concerns of the programming industry will be for naught.

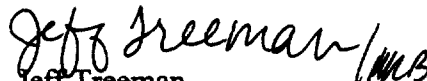
To fully understand the potential consequences of the Commission's action on this matter, it is important to recognize the serious effect cable system consolidation is currently having on the programming industry. Most programmers, including United Video, are facing reductions in revenue as a result of cable industry mergers and acquisitions and the consolidation of subscribers under volume discounts. We expect that cable operators will continue to meet the challenge of competition through future consolidations, thus further affecting the economics of the programming industry.

Elimination of the mark up on existing program cost increases will severely disadvantage independent, established program services as they struggle to compete with the explosion of new program services being launched. If cable operators are permitted to mark up costs arising from new services but not existing services, cable operators will have substantial economic incentive either: to drop established program services in favor of new program services, or to migrate established services to *a la carte*. Both actions have serious negative implications for programmers beyond the effects of cable industry consolidation.

To the consumer, the migration of programming services from basic to *a la carte* will mean paying additional fees for the services they subscribed to cable for in the first place. The consumer may also pay a price (as might independent program suppliers) for industry consolidation with increased standardization of channel offerings. Neither result, programming migration nor channel standardization, seems consistent with the intention of Commission regulations.

In this environment, it will be harder and harder for independent, established programmers like United Video to make the investments necessary to improve programming and remain competitive with the plethora of new networks. Commission regulation already is effecting the economics of the programming business and is a contributing factor in industry consolidations. The exclusion of the mark up on existing programming costs (currently proposed at 7.5%) would simply amplify these effects. For this reason, it is important that the Commission evaluate the potential long term negative implications the elimination of the mark up on existing programming cost increases could have on the programming industry, and consequently, on the programming quality enjoyed by consumers.

Sincerely,


 Jeff Freeman
 President

JT/gm

cc: Chairman Reed Hundt
 Commissioner James Quello
 Commissioner Andrew Barrett
 Commissioner Susan Ness
 Commissioner Rachelle Chong